



FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

VIA ELECTRONIC AND FIRST CLASS MAIL

MAR 20 2017

Zachary G. Parks, Esq.
Covington & Burling LLP
One CityCenter, 850 Tenth Street, NW
Washington, DC 20001-4956
zparks@cov.com

RE: MUR 7221
Eric Grimm
Kent Lindsay

Dear Mr. Parks:

On October 6, 2014, the Federal Election Commission notified your clients, Eric Grimm and Kent Lindsay, of a *sua sponte* submission filed by Mepco Holdings, LLC and Longview Intermediate Holdings C, LLC alleging violations of certain sections of the Federal Election Campaign Act of 1971, as amended (the "Act"). A copy of the submission was forwarded to you at that time.

Upon review of the available information, the Commission, on March 7, 2017, found that there is reason to believe that your clients violated 52 U.S.C. § 30122 (formerly 2 U.S.C. § 441f). The Factual and Legal Analysis, which formed a basis for the Commission's finding, is enclosed for your information.

You may submit any factual or legal materials that you believe are relevant to the Commission's consideration of this matter. Please submit such materials to the Office of the General Counsel within 15 days of receipt of this notification. Where appropriate, statements should be submitted under oath. In the absence of additional information, the Commission may find probable cause to believe that a violation has occurred and proceed with conciliation. See 52 U.S.C. § 30109(a)(4).

Please note that you have a legal obligation to preserve all documents, records and materials relating to this matter until such time as you are notified that the Commission has closed its file in this matter. See 18 U.S.C. § 1519.

If you are interested in pursuing pre-probable cause conciliation, you should make such a request by letter to the Office of the General Counsel. See 11 C.F.R. § 111.18(d). Upon receipt of the request, the Office of the General Counsel will make recommendations to the Commission either proposing an agreement in settlement of this matter or recommending declining that

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pre-probable cause conciliation be pursued. The Office of the General Counsel may recommend that pre-probable cause conciliation not be entered into in order to complete its investigation of this matter. Further, the Commission will not entertain requests for pre-probable cause conciliation after briefs on probable cause have been delivered to the Respondents. Requests for extensions of time are not routinely granted. Requests must be made in writing at least five days prior to the due date of the response and good cause must be demonstrated. In addition, the Office of the General Counsel ordinarily will not give extensions beyond 20 days. Pre-probable cause conciliation, extensions of time, and other enforcement procedures and options are discussed more comprehensively in the Commission's "Guidebook for Complainants and Respondents on the FEC Enforcement Process," which is available on the Commission's website at http://www.fec.gov/em/respondent_guide.pdf.

This matter will remain confidential in accordance with 52 U.S.C. §§ 30109(a)(4)(B) and 30109(a)(12)(A) unless you notify the Commission in writing that you wish the matter to be made public. If you have any questions, please contact Nicholas Mueller, the attorney assigned to this matter, at (202) 694-1577 or nmueller@fec.gov.

On behalf of the Commission,



Steven T. Walther
Chairman

Enclosure
Factual and Legal Analysis

1 **FEDERAL ELECTION COMMISSION**

2
3 **FACTUAL AND LEGAL ANALYSIS**

4
5 **RESPONDENTS:** Eric Grimm
6 Kent Lindsay

MUR 7221

7
8 **I. INTRODUCTION**

9 Mepco Holdings, LLC ("Mepco") and its parent company, Longview Intermediate
10 Holdings C, LLC ("Longview") filed a *sua sponte* submission ("Submission"), notifying the
11 Commission that James Laurita, the former Mepco Chief Executive Officer ("CEO"), caused
12 Mepco to reimburse him and eight other executives for federal and state contributions made in
13 the names of the executives and their spouses.¹ Records produced by Mepco and disclosure
14 reports filed with the Commission indicate that between 2010 and 2013, a number of Mepco
15 executives were reimbursed for federal political contributions in an amount potentially exceeding
16 \$600,000. Eric Grimm and Kent Lindsay are two such executives who received
17 reimbursements.² Accordingly, the Commission finds reason to believe that Eric Grimm and
18 Kent Lindsay violated 52 U.S.C. § 30122 (formerly 2 U.S.C. § 441f) by knowingly permitting
19 their names to be used to effect contributions in the name of another.

20 **II. FACTUAL BACKGROUND**

21 **A. Respondents**

22 Mepco is a holding company that owns and operates numerous coal-related businesses,
23 including Mepco, LLC.³ Mepco has been managed by three generations of the Laurita family,
24 including James Laurita, Jr., who was the President and Chief Executive Officer of both Mepco

¹ Submission of Mepco Holdings, LLC and Longview Intermediate Holdings C, LLC at 4 (Nov. 17, 2013) ("Submission").

² See Submission of Eric Grimm and Kent Lindsay (Jan. 9, 2015) ("Grimm Lindsay Submission").

³ Submission at 2.

1 and Mepco, LLC, until he resigned in November 2013.⁴ Mepco is a subsidiary of Longview,
2 which owns another subsidiary, Longview Power, LLC ("Longview Power"), which operates a
3 coal-fired power facility.⁵ Mepco provides Longview Power with coal to operate its power
4 facility.⁶ Longview owns a 92.2% interest in Mepco with Laurita owning the remaining 7.8%.⁷
5 Mepco and Longview filed petitions for Chapter 11 bankruptcy petition in August 2013.⁸
6 Neither Mepco nor any of its subsidiaries, which are also LLCs, elected to be taxed as
7 corporations under the Internal Revenue Code.

8 The other executives who received reimbursements for contributions include two former
9 executives of Mepco: Eric Grimm, who was a Mepco Vice President and Kent Lindsay, who
10 was Mepco's Chief Financial Officer.⁹

11 **B. Mepco's Reimbursement of Political Contributions to Federal Candidates**
12 **from 2010 through 2013**
13

14 According to the Submission, after the 2008 election, Mepco's officers decided that the
15 company should become more politically active by making contributions to federal and state
16 candidates who were likely to support the coal industry.¹⁰ On March 4, 2010, Laurita requested
17 that eight Mepco officers, who included Karen Hughes, Kent Lindsay, Rick Usery, Eric Grimm,
18 Steve Polce, Kevin O'Dell, Brian Osborn, and Christopher Stecher, attend a meeting the next day

⁴ *Id.*

⁵ *Id.*

⁶ *Id.*

⁷ See Voluntary Petition, *In re: Mepco Holdings, LLC*, Case No. 13:12219 (D. Del. Aug. 30, 2013) at 25 ("Mepco Bankr. Pet.").

⁸ *Id.*; Submission at 2. The ultimate parent entity of Longview and Mepco is GenPower Holdings GP ("GenPower GP"), which is not a debtor in the bankruptcy proceedings. See Mepco Bankr. Pet. at 25.

⁹ Grimm Lindsay Submission at 1.

¹⁰ See Supp. Submission at 3.

1 to discuss elections and support for particular candidates.¹¹ As a follow-up to the March 5
2 meeting, Laurita sent another e-mail asking those officers to make contributions in specific dollar
3 amounts to four candidates, three of whom were federal candidates running for seats in the
4 House of Representatives: Mike Oliverio, David McKinley, and Sarah Minear. Laurita also
5 suggested contribution amounts.¹² At Laurita's request, Mepco began reimbursing executives
6 for political contributions on March 9, 2010.¹³ According to Mepco LLC's payroll records, on
7 that date, Osborn, Hughes, Polce, O'Dell, Usery, Grimm, Stecher, and Lindsay all received a
8 \$20,000 bonus.¹⁴

9 From March 2010 through March 2013, Mepco continued to provide its executives with
10 bonus payments to be used for political contributions.¹⁵ As the Submission and Commission
11 disclosure reports indicate, Laurita and the eight other Mepco officers involved in the
12 reimbursement program contributed over \$600,000 to federal candidates between 2010 and
13 2013, and as further described below, most, if not all, of these contributions appear to have been
14 reimbursed.¹⁶

15 Table 1. — Reimbursed Contributions between 2010 and 2013 by Recipient

Committee	Amount
Citizens for Altmire	\$35,300.00
Capito for Congress	\$11,500.00
Capito for West Virginia	\$34,800.00

¹¹ E-mail from James Laurita to Karen Hughes, *et al.* (Mar. 4, 2010 12:05 pm) (Mepco_00000281).

¹² *Id.*

¹³ See Supp. Submission at 3.

¹⁴ See 2010 Mepco LLC Payroll Records.

¹⁵ See Supp. Submission at 3. The Commission notes that Laurita made two contributions in 2009 to Citizens for Altmire (\$2,500) and Capito for Congress (\$1,000) and was reimbursed for these contributions in late 2012, but the company-wide scheme involving reimbursement of the contributions of other executives apparently did not begin until March 2010.

¹⁶ The Commission uses "reimburse" generally to describe both advances and subsequent repayments for contributions.

Mark Critz for Congress	\$86,400.00
Manchin for West Virginia	\$76,300.00
Spike Maynard for Congress	\$12,800.00
McKinley for Congress	\$113,700.00
Miner for Congress	\$6,000.00
Tim Murphy for Congress.	\$3,750.00
Oliverio for Congress	\$84,400.00
Tom Smith for Senate	\$17,500.00
Snuffer for Congress	\$19,193.52
Griffith for Congress	\$1,000.00
Keadle for Congress	\$5,000.00
Mike Kelly for Congress	\$1,000.00
McConnell for Senate 2014	\$2,500.00
Romney Victory, Inc.	\$50,000.00
NRCC	\$40,400.00
West Virginia Republican Party	\$30,000.00
Total:	\$631,543.52

1
2 Mepco states that the manner in which it reimbursed its executives varied.¹⁷ Laurita
3 would at times identify candidates friendly to the coal industry and request or “instruct,” either
4 orally or in writing, that company officers, along with their spouses, make contributions to those
5 candidates.¹⁸ In other instances, executives made candidate recommendations to Laurita.¹⁹
6 Executives stated that on occasion they would discuss political candidates at monthly
7 management meetings or in other group settings.²⁰

8 When not personally soliciting contributions, Laurita frequently relied on either Hughes,
9 who handled administrative tasks related to Mepco’s finances and payroll, or his assistant,
10 Suzanne Crane (née Likins), to convey his requests.²¹ Hughes and Crane communicated with

¹⁷ Supp. Submission at 4.

¹⁸ *Id.*

¹⁹ *Id.*

²⁰ *Id.*

²¹ *Id.*; see also E-mail from James Laurita to Suzanne Crane (Mar. 6, 2013 1:42 pm) (MEPCO_00000071) (requesting that each officer and his or her spouse contribute \$2,500); E-mail from James Laurita to Karen Hughes (Sept. 13, 2012 4:50 am) (MEPCO_00000982-983) (“Karen, I forgot about this fund raiser. Will need \$1,000 from

1 executives both orally and in writing, indicating which candidates should receive contributions
2 and in what amount.²² Often accompanying their requests were contribution forms for specific
3 candidates or fundraising events.²³

4 Once the officers received the requests, they or their spouses would make contributions
5 online or by check.²⁴ Typically, the executives provided checks to Hughes instead of submitting
6 them directly to a campaign or candidate.²⁵

7 At Laurita's request, Hughes and staff in the payroll department would arrange for
8 officers to receive reimbursement through "bonuses" paid through Mepco's payroll system.²⁶
9 Hughes maintained extensive charts that reflected contributions made by each executive and the
10 payment of reimbursements.²⁷ Specifically, payroll records indicate that funds used for
11 reimbursements came from Mepco's wholly owned subsidiary, Mepco LLC.²⁸ The method and
12 amounts of the reimbursements varied, and the payments were not made at regular intervals.²⁹
13 The timing of the "bonuses" also varied in that executives received compensation for
14 contributions either before or after making them.³⁰ Sometimes, reimbursements were tied to

each officer."); E-mail from James Laurita to Suzanne Crane (Mar. 6, 2013 1:46 pm) (MEPCO_00000792) ("Ask the officers to contribute \$2,500 x 2 here too"); E-mail from Karen Hughes to Brian Osborn and Eric Grimm (Sept. 28, 2010) (MEPCO_00000197) ("Are you making a donation as suggested so I can add it to your reimbursement?").

²² Supp. Submission at 4; *see also* E-mail from Karen Hughes to Kent Lindsay, *et al.* (Sept. 8, 2010 12:07 pm) (MEPCO_00003986) ("By the end of the day tomorrow (Thursday), please provide your check in the amount of \$500 payable to 'Capito for Congress.'").

²³ Supp. Submission at 4; *see also* E-mail from Suzanne Likins to Eric Grimm, *et al.* (Sept. 19, 2012 3:01 pm) (MEPCO_00005220-221).

²⁴ Supp. Submission at 5.

²⁵ *Id.*

²⁶ *Id.*

²⁷ Supp. Submission at 4; *see also* E-mail from Karen Hughes to Rodney Bolyard (Nov. 16, 2012 1:05 pm), MEPCO_00000131-132 (reflecting candidate contributions and payment of reimbursements from 2010-2012).

²⁸ *See* 2010-2013 Mepco Payroll Records.

²⁹ Supp. Submission at 4.

³⁰ *Id.* Compare E-mail from Karen Hughes to Kevin O'Dell (Oct. 4, 2010 12:04pm) (MEPCO 00000177) ("The yellow highlights are those donations I have not yet received from you. If you intend to make those

1 specific contributions made to a particular campaign.³¹ In other instances, executives received
2 lump sum payments deposited into their accounts from which they were to make contributions.³²
3 And still in others, Hughes would simply ask executives to provide a list of contributions they
4 had already made, so that she could reimburse them accordingly.³³

5 In many instances, executives contributed through campaign fundraisers hosted by
6 Laurita,³⁴ who often used company resources to hold them.³⁵ Frequently, Laurita's assistant,
7 Suzanne Crane, assisted Laurita with planning these fundraisers and sending out invitations as
8 well as working directly with the candidates' campaigns.³⁶

donations, please fill in the amount and return to me. I plan to make reimbursements to hit your bank on Wednesday."), with E-mail from Karen Hughes to Kevin O'Dell (Sept. 20, 2011 10:41 am) (MEPCO_00000257) ("You have \$7,056 in your account that is not yours. Save for future contributions.").

³¹ Supp. Submission at 4; E-mail from Karen Hughes to Brian Osborn and Eric Grimm (Sept. 28, 2010 9:10 am) (MEPCO_00000197) (asking whether Osborn or Grimm planned on making a "donation" to attend fundraiser for Congressman David McKinley so that funds could be added to their "reimbursements").

³² Supp. Submission at 4; E-mail from Kevin O'Dell to Dawn O'Dell (Mar. 9, 2010 2:38 pm) (MEPCO_00000279) ("The after tax deposit was \$11,456. We will pay out \$6,800 in the Primary and use the rest in the general later this year. We will have \$4,658 in our account for a few months.").

³³ See E-mail from Karen Hughes to Kent Lindsay, *et al.* (Sept. 15, 2010) (MEPCO_00000201) ("would you please send me a list of all the political contributions (both by check and credit card) you have made since the May primaries? I have been really really swamped over the past few days and haven't had a chance to tally for each of you.") (emphasis in original); E-mail from Eric Grimm to Karen Hughes (Sept. 18, 2010 3:22 pm) (MEPCO_00000111) (providing itemized list of contributions made from personal funds deposited into Grimm's personal account); E-mail from Karen Hughes to Brian Osborn (Mar. 28, 2012 2:16 pm), MEPCO_00000154-55 ("Please verify my records, but I show that you wrote checks for \$27,500 (including Manchin) which would be deducted from the \$28,000 net bonus.").

³⁴ See, e.g., Invitation to Fundraiser for Congressman Jason Altmire (MEPCO_00006783) ("Altmire Invitation"); E-mail from Suzanne Likins to Karen Hughes, *et al.* (Aug. 16, 2011, 12:56 pm) (MEPCO_00001498) (inviting MEPCO executives to fundraiser for Congressman Jason Altmire, hosted by Laurita and his spouse, Becky); E-mail from Suzanne Crane to Suzanne Crane, *et al.* (Mar. 26, 2013 08:17 am) (MEPCO_00004645-46) (inviting Mepco executives and other guests to fundraiser for U.S. Senate candidate Shelley Moore Capito, hosted by Laurita) ("Capito 2013 Invitation"); Invitation to Fundraiser for Congressman Mark Critz (MEPCO_00000089) ("Critz Invitation"); E-mail from Suzanne Likins to Suzanne Likins, *et al.* (Mar. 21, 2012 10:02 am) (MEPCO_00006026) (invitation to fundraiser for Senator Joe Manchin) ("Manchin 2012 Invitation"); Invitation to Fundraiser for Congressman David McKinley (MEPCO_00004015).

³⁵ See, e.g., Letter from Ron Clark, Purchasing Director, Mepco (June 21, 2010) (MEPCO_00003706) (inviting guests to fundraiser for U.S. House of Representatives candidate Mike Oliverio held at Mepco offices).

³⁶ See, e.g., E-mail from Suzanne Likins to James Laurita (Aug. 16, 2011 08:17 am) (MEPCO_00002581) (picking up campaign signs for fundraising event to be held at Laurita's residence); Capito 2013 Invitation, *supra*, n. 35; Manchin 2012 Invitation, *supra*, n. 35.

C. Discovery of Reimbursement Program

On August 30, 2013, Mepco and Longview filed petitions for Chapter 11 bankruptcy. In the course of the restructuring process, Mepco's restructuring counsel, Kirkland and Ellis, LLP, ("K&E") reviewed Mepco's books and records to prepare a filing in the Bankruptcy Court.³⁷ On September 26, 2013, counsel learned about a category of compensation for Mepco executives called "other bonus," and when K&E inquired about this bonus category, Mepco's current Chief Financial Officer responded that the category represented company funds used to reimburse (or advance) executives for political contributions.³⁸ The next day, K&E notified Longview's CEO, who authorized further investigation.³⁹ After the investigation, Laurita resigned as CEO and as a Board member of Mepco on November 10, 2013.⁴⁰

III. LEGAL ANALYSIS

A. Contributions Made in the Name of Another

The Act prohibits a person from making a contribution in the name of another or knowingly permitting his or her name to be used to effect such a contribution.⁴¹ The prohibition extends to knowingly helping or assisting any person in making a contribution made in the name of another.⁴² The term "person" for purposes of the Act and Commission regulations includes partnerships, corporations, and other organizations, including LLCs.⁴³

³⁷ Submission at 2.

³⁸ *Id.*

³⁹ *Id.*

⁴⁰ *Id.* n. 1.

⁴¹ 52 U.S.C. § 30122 (formerly 2 U.S.C. § 441f); 11 C.F.R. § 110.4(b)(1)(i).

⁴² 11 C.F.R. § 110.4(b)(1)(iii).

⁴³ See 52 U.S.C. § 30101(11) (formerly 2 U.S.C. § 431(11)); 11 C.F.R. § 100.10; Advisory Op. 2009-02 (True Patriot Network) at 3.

1 A principal is liable vicariously for the acts of its agent committed within the scope of
2 agency.⁴⁴ Here, based on the actions of its executives, Mepco admits that it reimbursed its
3 executives for making political contributions.⁴⁵ In addition, the executives who were formerly
4 employed by Mepco — including Grimm and Lindsay — admit that they received
5 reimbursements for making contributions. Mepco used funds from its wholly owned subsidiary,
6 Mepco LLC, to compensate its executives for making contributions to federal candidates and
7 other political committees. Mepco therefore made contributions in the name of another in
8 violation of section 30122 (formerly section 441f). Further, by accepting reimbursements for
9 contributions they made to candidates and political committees and thus serving as conduits in
10 Mepco's reimbursement program, Grimm and Lindsay appeared to have knowingly permitted
11 their names to effect contributions made in the name of another in violation of section 30122.

12 A violation of the Act is knowing and willful if the "acts were committed with full
13 knowledge of all the relevant facts and a recognition that the action is prohibited by law."⁴⁶ This
14 does not require proving knowledge of the specific statute or regulation the respondent allegedly
15 violated.⁴⁷ Instead, it is sufficient to demonstrate that a respondent "acted voluntarily and was
16 aware that his conduct was unlawful."⁴⁸ This may be shown by circumstantial evidence from

⁴⁴ RESTATEMENT (THIRD) OF AGENCY § 7.07; see also *United States v. Sun-Diamond Growers of Cal.*, 138 F.3d 961 (D.C. Cir. 1998) (affirming criminal convictions against corporation in connection with a contribution reimbursement scheme where officer hid the scheme from others in corporation but acted to benefit the corporation).

⁴⁵ Submission at 1; Supp. Submission at 1.

⁴⁶ 122 Cong. Rec. 12,197, 12,199 (May 3, 1976).

⁴⁷ *United States v. Danielczyk*, 917 F. Supp. 2d 573, 579 (E.D. Va. Jan. 9, 2013) (quoting *Bryan v. United States*, 524 U.S. 184, 195 & n.23 (1998) (holding that, to establish a violation is willful, government needs to show only that defendant acted with knowledge that conduct was unlawful, not knowledge of specific statutory provision violated)).

⁴⁸ *Id.* (citing jury instructions in *United States v. Edwards*, No. 11-61 (M.D.N.C. 2012), *United States v. Acevedo Vila*, No. 08-36 (D.P.R. 2009), *United States v. Fieger*, No. 07-20414 (E.D. Mich. 2008), and *United States v. Alford*, No. 05-69 (N.D. Fla. 2005)).

1 which the respondents' unlawful intent reasonably may be inferred.⁴⁹ For example, a person's
2 awareness that an action is prohibited may be inferred from "the [person's] elaborate scheme for
3 disguising their . . . political contributions."⁵⁰

4 The record here indicates that Mepco executives, including Grimm and Lindsay, were
5 aware of the prohibitions and limits relating to political contributions prior to October 2013.⁵¹
6 For example, on August 22, 2012, Laurita appears to have e-mailed to Grimm an invitation for a
7 fundraiser hosted by Laurita, which stated, "[c]ontributions must be made from your own funds,
8 and funds cannot be provided to you by another person or entity for the purpose of making this
9 contribution."⁵²

10 Further, e-mail communications of Karen Hughes instructed other senior Mepco officers
11 to destroy e-mails stating that they would receive reimbursements for their contributions. In an
12 e-mail to six other Mepco executives, including Grimm and Lindsay, with a subject line entitled,
13 "Manchin," Hughes writes "You will be receiving a \$1,000(net) bonus by direct deposit in the
14 next few days. Please delete this email."⁵³ In another e-mail, Hughes informs seven Mepco
15 executives: "By the end of the day tomorrow (Thursday), please provide your check in the
16 amount of \$500 payable to 'Capito for Congress.'"⁵⁴ One minute later, she sends another e-mail

⁴⁹ Cf. *United States v. Hopkins*, 916 F.2d 207, 213 (5th Cir. 1990) (quoting *United States v. Bordelon*, 871 F.2d 491, 494 (5th Cir. 1989)). *Hopkins* involved a conduit contributions scheme, and the issue before the Fifth Circuit concerned the sufficiency of the evidence supporting the defendants' convictions for conspiracy and false statements under 18 U.S.C. §§ 371 and 1001.

⁵⁰ *Id.* at 214-15. As the *Hopkins* court noted, "It has long been recognized that 'efforts at concealment [may] be reasonably explainable only in terms of motivation to evade' lawful obligations." *Id.* at 214 (quoting *Ingram v. United States*, 360 U.S. 672, 679 (1959)).

⁵¹ See, e.g., Invitation to Fundraiser for Citizens for Altmire hosted by James and Rebecca Laurita (MEPCO_00004227) ("Contributions are limited to personal funds of \$2,500 per person . . .").

⁵² E-mail from James Laurita to Eric Grimm and Karen Hughes (Aug. 22, 2012 5:02 am) (MEPCO_000000119-121) ("In essence, I was only going to have Becky and I, and Your [sic] and Sheryl give to Critz (see attached). If you agree with that, Karen will take care of adjusting your account.").

⁵³ E-mail from Karen Hughes to Kent Lindsay, *et al.* (Aug. 13, 2010 8:49 pm) (MEPCO_00000215).

⁵⁴ E-mail from Karen Hughes to Kent Lindsay, *et al.* (Sept. 8, 2010 12:07 pm) (MEPCO_00000212).

1 with the subject line "Delete this e-mail" to the same individuals and states, "I'll reimburse you
2 in the next couple days."⁵⁵ The information presented above raises the question of whether
3 Grimm and Lindsay acted knowingly and willfully, and an investigation is necessary to resolve
4 this issue.

5 Under these circumstances, the Commission finds reason to believe that Eric Grimm and
6 Kent Lindsay violated 52 U.S.C. § 30122 (formerly 2 U.S.C. § 441f).⁵⁶
7

⁵⁵ E-mail from Karen Hughes to Kent Lindsay, *et al.* (Sept. 8, 2010 12:08pm) (MEPCO_00000211).

⁵⁶ The information presented above raises the question of whether Eric Grimm and Kent Lindsay acted with knowing and willful intent and an investigation is necessary to resolve this issue.